



## Top Production Incentives: The North American Race Has Begun

By Sally Kemper

There has been a lot of hype about areas that have been so lucky to lure many productions, and in response to the story published in the July issue, "The Top 10 Places to shoot in U.S.," there has been even more publicity for those communities. The list was determined by many factors, including (but not solely based on) the most alluring incentives offered.

So I decided to create an easy-reference guide that will help you through your 2006 and 2007 endeavors, specifically concentrated on the top production incentives in North America. That's because searching for locations is now about one thing: money. With money, you can create locations without physically traveling there, allowing more financial emphasis to be placed on other production fundamentals.

As I began my virtual journey across the east and west coasts of the United States, I surprisingly learned, as will you, that there are several states attempting to mimic what the provinces of our northern Canadian neighbors have been capitalizing on for some time. Don't get me wrong; it's still a pursuit for the domestic oppo-

nents, as Canada is relentlessly introducing enormous incentives that are not to be taken lightly.

I departed for the northeastern part of the United States first, where I was excited to hear Matthew Newton, film specialist at the **New Hampshire Film and TV Office** boast, "All of the buzz about state filming incentives is really interesting. In the last few years more and more filmmakers are approaching their locations as if they are shopping for used cars. They are becoming accustomed to simply blanket calling a number of states, asking, 'what are your incentives?' and settling on what they feel is the best deal. Especially with independent filmmakers these days, it's not so much about having the location fit the project, as it is getting a handful of sales quotes and following the dollar."

What makes New Hampshire unique is their tax structure. There are no sales tax, personal income tax or capital gains tax. Period. "What we've found is that simply telling a producer that we have no taxes in our state is not enough. There are a number of states offering substantial rebates once the production wraps, and produc-

ers love getting cash-in-hand as part of the incentive. So, we've been taking a new approach since we currently don't have any bold, legislative-enacted incentives to tout like other states. We promote the incentives that are already built into New Hampshire's economy. Let's have it make sense to people. As states are giving 10, 15 or even 20 percent of taxes back to the filmmaker, we're working to get the message out that New Hampshire returns 100 percent of those taxes to the production," said Newton.

If you would like to further research how you can benefit from filming in New Hampshire, visit [www.nh.gov/film](http://www.nh.gov/film) for more details.

I discovered that the tiny state of Rhode Island passed a huge tax incentive law on March 7, 2006 called the "Law 19 & 20 Film & Television Tax Credit." This aggressive law provides a 25 percent Motion Picture Company Transferable Tax Credit for all Rhode Island spending.

There are no caps and it also includes salaries for people working on the ground in Rhode Island. The film, television, commercial and video game production must be filmed primarily in the



state of Rhode Island and have a minimum budget of \$300,000. Everything you need is on the flashy **Rhode Island Film and TV** website at [www.rifilm.com](http://www.rifilm.com).

As I maneuvered my way south, I ended up in North Carolina, where I spoke with Johnny Griffin, director of the **Wilmington Regional Film Commission**, who wanted to let everyone know, "Today the North Carolina Governor signed new a film incentive legislation that will provide productions with a 15 percent refundable tax credit. Please go to [http://www.governor.state.nc.us/News\\_FullStory.asp](http://www.governor.state.nc.us/News_FullStory.asp) for [more] information." North Carolina ranked number six on our top 10 list.

Not to be overshadowed by North Carolina anymore, South Carolina is fighting their way to the top of the incentive competition. The **South Carolina Film Office** flaunted their extensive rebates, giving productions that film in South Carolina up to 20 percent in cash rebates on employee wages, and up to 30 percent on supplier expenditures if they spend at least \$1 million in the state.

The South Carolina production incentive is somewhat unique because it is a cash rebate, paid to the production company within 30 days of final audit. Most states offer tax credits or tax refunds, which require brokers and long waiting periods. In addition, South Carolina reserves the estimated rebate funds for a production. For additional details to see how you can qualify, visit [www.scfilm-office.com](http://www.scfilm-office.com).

The Sunshine state of Florida offers very attractive incentives, which explains why they ranked number three on our top ten list. Paul Simons, state film commissioner at the **Florida Governor's Office of Film and Entertainment** explains, "Up to 15 percent cash reimbursement of Florida qualified expenditures for a production that spends at least \$850,000 in the state is offered. The maximum reimbursement is \$2 million, which is paid after the end of production or post-production (post-production expenses to a Florida vendor count too).

On July 1, 2006 Florida doubled its incentives from \$10 million to \$20 million of available funds. A six percent sales tax exemption for equipment and items used exclusively as an integral part of production in the state. The production company is issued a Sales and Use Tax Certificate of Exemption for all equipment.

According to Simons, "The certificate is also applicable for rentals and leases of real property used exclusively for production. The bonus with this credit is that it doesn't matter what the size of your budget is, and it's easy to apply for on-line at [www.filminflorida.com](http://www.filminflorida.com). Exemption certificates are usually provided within seventy-two hours."

As I navigated toward the tropics of the Caribbean, I found an astounding incentive program in the enchanting island of Puerto Rico, where

mountains and rain forests are abundant, making this an authentic option for productions.

Puerto Rico has placed a major emphasis on attracting productions by offering some very aggressive incentives. According to Cristina Caraballo, marketing manager for the **Puerto Rico Film Commission**, "Puerto Rico offers a 40 percent rebate on expenditures that are given in the form of a transferable tax credit. Through the law, you can advance 50 percent of the estimated rebate before shooting." She indicated that after transaction costs, the rebate would net approximately 35 percent. You can find many additional details at [www.puertoricofilm.com](http://www.puertoricofilm.com).

Ahh, then I shift into low gear as I approach the laid-back island of Jamaica. Jamaica is known for its picturesque beauty that exhibits the perfect backdrop. Add some notable tax incentives and you might just have this Caribbean paradise on your list next.

Relief from income tax for a period not exceeding nine years from the date of the first release of the motion picture is offered. An investment allowance of 70 percent of the ex-

penditure on the facilities, which may be carried forward beyond the initial nine-year period, is also granted for income tax purposes. There is an exemption from the payment of import duty on equipment, machinery and materials for the building of studios, or for use in motion picture production. Additional details can be obtained at [www.investjamaica.com](http://www.investjamaica.com), the official website of **Jamaica Promotions Corporation (JAMPRO)**.

In the Sportsman's Paradise state, Louisiana is another heavy-hitter that offers magnificent allurements. Motion picture productions with a budget of at least \$300,000 are eligible to receive a 25 percent tax credit, based on in-state production expenditures, and an additional 10 percent on the payroll of local hires. There is also a 15 percent infrastructure tax credit, which is fully transferable.

In Louisiana there is no spending cap in their motion picture tax credit program. "Louisiana tax credits have been successfully used by a variety of productions since the beginning of the program in 2002. Since then, we estimate

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about \$1.5 billion dollars worth of production has been shot here in Louisiana," Amber Havens of the **Louisiana Film and Television Office** proudly explained.

"Digital media," she continued, "starts at a 20 percent tax credit, with bi-annual reductions of credits. Sound recording tax credits from 10 to 20 percent are based on the base investment of the project. An entertainment project can only use one incentive per project. Our website, [www.lafilm.org](http://www.lafilm.org) is a one-stop where any filmmaker can gain accurate information about the entertainment industry in Louisiana."

This southern hospitality-driven state's enticing incentives played a role in helping them earn the number one spot on our top 10 list, and has been very instrumental in rebuilding the devastation that resulted from Hurricane Katrina.

Upon my arrival to the Midwest, it was very evident that they too are jumping on the incentive bandwagon. The state of Missouri is making lots of noise with their state income tax, equaling up to a whopping 50 percent of what the company spends in Missouri while making a film, as long as they do not exceed \$1 million in tax credits per project.

In order to qualify for this, the film production company must spend \$300,000 or more in Missouri (i.e., payments made to Missouri companies, organizations or individuals) in the making of the film. Only the Missouri expenditures that are necessary for the production of the film are applicable. Such expenditures may include, but are not limited to, the costs for labor, services, materials, equipment rental, lodging, food, location fees and property rental. You can find additional details at the **Missouri Department of Economic Development (DED)** or additional by visiting [www.missouridevelopment.org/film](http://www.missouridevelopment.org/film).

The **Illinois Film Office** is another major competitor that refuses to be excluded from this rivalry. Illinois Governor Blagojevich recently signed the Illinois Film Production Services Tax Credit Act trying to bring back some industry business into the prairie state.

The tax credit consists of 20 percent of the Illinois production spending for the taxable year and 20 percent credit on Illinois salaries up to \$100,000 per worker. These incentives include \$50,000 in Illinois production spent for a project 29 minutes or under, and

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\$100,000 in Illinois production spend for a project over 30 minutes also qualifies.

Illinois production spending means tangible personal property and services purchased from Illinois vendors and compensation paid to Illinois resident employees. For more details visit [www.filmillinois.state.il.us](http://www.filmillinois.state.il.us).

Minnesota is basking in glory as they vaunt of restoring funds that have been absent since 2002. The 2006 Minnesota Legislature approved \$1.7 million for the "Snowbake" production incentive program. Snowbake is a 15 percent rebate for the cost of production in Minnesota for major studio features, Minnesota features, television series, commercials, music videos and documentaries.

"Since 2002, Minnesota has been just one of four states in the country without some kind of incentive for film and television production," said Lucinda Winter, executive director of the **Minnesota Film & TV Board's (MFTVB)**. "This lack of incentives made it impossible for us to compete with countries like Canada and states like New Mexico. This funding puts us back in the film and television game, providing rebates for about \$12 million worth of production costs spent in Minnesota between June 1, 2006 and June 30, 2007," Winter added.

The Minnesota Film & TV Board's mission is to promote the art and commerce of the moving image industry in Minnesota. For more information, visit the MFTVB website at [www.mnfilmantv.org](http://www.mnfilmantv.org).

As my travels continue toward the Southwest, I want to express what the "Number Two State" on our top 10 list has to offer. New Mexico has an intense incentive program that is filling their state with major productions.

Lisa Strout, Director of the **New Mexico Film Office** explained, "Our 25 percent tax rebate is simple; production companies receive 25 percent back on all New Mexico expenditures that are subject to taxation by the state. There is no minimum spending and no cap and it's a refund, not a credit, so there are no brokers involved." New Mexico also offers a unique loan program and an extensive crew base, and plans for additional infrastructure is currently in development. For more information visit [www.nmfilm.com](http://www.nmfilm.com).

The **Arizona Film Commission's** Motion Picture Production Tax Incentive Program has a very appealing program. There is a Transaction Privilege Tax Exemption on machinery and equipment, leases or rental of lodging space, catered food, drink and condiments and construc-

tion contracts, a use tax exemption and income tax credits. Tax credits for a motion picture production are based on expenses in Arizona directly attributable to the production, and are equal to 10 percent for productions between \$250,000 to \$1 million, 15 percent for \$1 million-one to \$3 million and 20 percent for more than \$3 million. For more information visit [www.azcommerce.com/film](http://www.azcommerce.com/film).

Now we voyage through the Pacific, so if it's tropical locations within the United States you're looking to shoot in, take a really hard look at what the captivating islands of Hawaii welcome you with.

Donne Dawson, film commissioner of the **Hawaii State Film Office** cheerfully exclaimed, "As of July 1st, Hawaii has joined the growing list of United States to adopt new competitive production tax incentives. The new credit, known as Act 88, offers a 15 percent rebate on all production expenditures on the island of Oahu and 20 percent for all neighbor-island productions. We have worked years to get to this point. It took that long to educate our decision makers as to the competitive climate we exist in, and the production business we've lost as a result of other jurisdictions being much more aggressive in what

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they offer. Act 88 is a huge step forward for the state in developing its film industry." The State of Hawaii Department of Taxation website provides additional details at [www.state.hi.us](http://www.state.hi.us).

Okay, now that we've discovered the top incentive programs in the southern part of the continent, you will now see Canadian dollar or "Loonie" signs flashing at you, as we continue the trip through the many provinces of Canada.

The British Columbia Production Services Tax Credit (PSTC) encourages film, television and animation production in British Columbia. There are three components:

1. The basic PSTC tax credit is 18 percent of accredited qualified British Columbia labor expenditures effective January 1, 2005.
2. The new REGIONAL tax credit is 6 percent of accredited qualified British Columbia labor expenditures.
3. The new DIGITAL ANIMATION or VISUAL EFFECTS tax credit is 15 percent of accredited qualified British Columbia labor expenditures.

You can obtain additional details at the **British Columbia Film Commission** at [www.bcfilmcommission.com/finance](http://www.bcfilmcommission.com/finance).

The **Yukon Film & Sound Office** offers an unbelievable labor rebate, which can refund up to 35 percent of wages paid for eligible Yukon labor on your production. The Training Rebate may provide a rebate of up to 50 percent of a trainee's wages at \$12 per hour or 35 percent of a trainee's wages at scale. For more information visit [www.reelyukon.com/rebates](http://www.reelyukon.com/rebates).

The Alberta Film Office is offering "Generous Enticements!" Dan Chugg, Alberta Film Commissioner declared. "Our newly revised Alberta Film Development Program (AFDP) provides tantalizing reasons for shooting in Alberta. Whether you're local or from away, whether you want to fly solo or work with partners, we have the program to meet your needs. It's easy to understand, simple to apply for and highly competitive. In essence, we will contribute between 14 and 23 percent of ALL eligible expenses incurred in Alberta. That's the equivalent of 25 to 42 percent labor tax credit!"


Alberta has had a number of recent successes with "Brokeback Mountain," "Into

The West" and "The Assassination of Jesse James by the Coward Robert Ford." "We are currently shooting 'Resurrecting the Champ' with Samuel L. Jackson," said Chugg. "In the four years I have been film commissioner we have seen some 70 features and made for television movies shot in Alberta, along with more than 200 smaller television projects and documentaries." For guidelines and submission information, please visit [www.albertafilmm.ca](http://www.albertafilmm.ca).


The **SaskFilm and Video Development Corporation** backhanded us with a new overwhelming 55 percent tax credit on each individual project. Their new tantalizing tax credit will rebate 45 percent of the total wages on all above the line and below the line Saskatchewan and deemed labor. An additional five percent bonus can be refunded for productions that choose to film in smaller centers and rural areas. There is an additional five percent for a key position bonus that is eligible on projects that attain six out of 10 points on positions specified by the program. The website [www.saskfilm.com](http://www.saskfilm.com) will fill you in on the rest of the details.

The **Manitoba Film Office** announced a Film and Video Production Tax Credit, which

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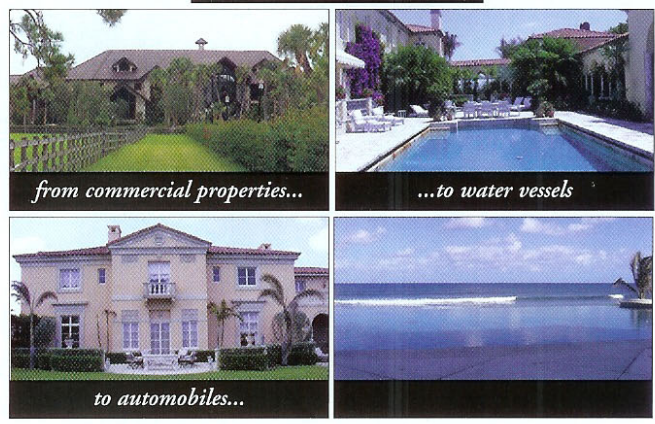
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visit [www.gov.mb.ca/iedm/invest/busfacts/govt/fv\\_taxcredit.html](http://www.gov.mb.ca/iedm/invest/busfacts/govt/fv_taxcredit.html).

The Ontario Film and Television Tax Credit (OFTTC) presented a mighty enhanced credit rate of 40 percent on the first \$240,000 of qualifying labor expenditure is available for first time producers. Productions that are shot in Ontario entirely outside of the Greater Toronto Area or

that have at least five location days in Ontario (or in the case of a television series, the number of location days is at least equal to the number of episodes), and at least 85 percent of the location days in Ontario are outside the Greater Toronto Area, receive a 10 percent bonus on all Ontario labor expenditures incurred for the production after May 2, 2000. Productions eligible for the regional bonus effectively receive a tax credit rate of 40 percent on eligible expenditures.


It is generally calculated as 30 percent of the eligible Ontario labor expenditures, net of assistance reasonably related to these expenditures, incurred by a qualifying production company with respect to an eligible Ontario production. To learn more about qualifications contact the **Ontario Media Development Corporation** at [www.omdc.on.ca](http://www.omdc.on.ca).

In Montreal, Quebec, the **Canadian Film or Video Production Tax Credit (CPTC)** objective is to encourage Canadian programming, and to develop an active domestic production sector. This fully refundable credit is available at the rate of 25 percent of the qualified labor expenditure of an eligible production.

There is also the **Film or Video Production Services Tax Credit (PSTC)** is designed to enhance Canada as a location of choice for film and video productions employing talented Canadians, as well as strengthen the industry and secure investment. The PSTC is available at a rate of 16 per cent of qualified Canadian labor expenditures. Both programs can be further researched through the **Montreal Film Office** at [www.montreal.qc.ca](http://www.montreal.qc.ca) or the **Canadian Audio-Visual Certification Office** at [www.pch.gc.ca/cavcol](http://www.pch.gc.ca/cavcol).

The Newfoundland Film Office has a credit that is based on a calculation of eligible labor limited to the least of 25 percent of the total eligible budget or 40 percent of the total eligible labor expenditures. Learn more details by visiting [www.newfilm.nf.net/taxcredit.asp](http://www.newfilm.nf.net/taxcredit.asp).

The **New Brunswick Film Office** announced an impressive 40 percent reimbursable tax credit on wages paid to New Brunswick residents working on your project. The tax credit applies only to the portion of eligible salaries that does not exceed 50 percent of the eligible cost of production. The NB Film Tax Credit is a fully refundable corporate income tax credit administered by New Brunswick Film." For additional information visit [www.nbfilm.com](http://www.nbfilm.com).

As my adventure comes to an end, I hope the overall usage of this increasingly growing list of cost-saving inducements will serve as a substitute to lengthy and time-consuming efforts of an initial location search. And legislators should consider how significantly film and television production incentives could impact their overall economic development. 

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